

**11.7%**  
Vacancy Rate



**726K**  
YTD Net Absorption, SF



**\$4.93**  
Asking Rent, PSF



Overall, Net Asking Rent

## ECONOMIC OVERVIEW

The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID [here](#).

Despite the United States' continued struggles surrounding COVID-19, Charlotte's industrial market has seen little to no signs of slowing down. Recently Pineville's city council voted in favor of Carolina Logistics Park, Beacon Partners' 288-acre development that can house up to 3.5 million square feet (msf) of industrial space. Other proposed developments such as Equus Kings Mountain—McDonald Development in Huntersville—and Rock Hill Commerce Center will drive Charlotte's construction pipeline in the coming years, continuing the market's growth trend for quality institutional product.

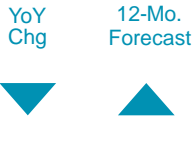
## SUPPLY

Nearly 4.8 msf of new industrial product delivered in Charlotte during the first half of 2020. In the Southwest submarket, a robust 2.1 msf of construction projects were completed, 43% of which was preleased. The 525,000-sf build-to-suit for Snyder's Lance in Pineville and Empire Distributors' 230,000-sf lease of 12115 Downs Road were key contributors to the submarket's 1.3 msf of direct net absorption year-to-date. Despite healthy preleasing activity, more than 3.8 msf of vacant product was added across Charlotte in the form of speculative construction deliveries through the first half of the year, offering additional options for tenants seeking modern space.

An increase in sublease supply also contributed to the decrease in overall net absorption. Currently there is 1.4 msf of sublease space available. While this represents a 33% increase quarter-over-quarter (QOQ), the total square footage remains less than 1% of the entire inventory.

## ECONOMIC INDICATORS Q2 2020

**1.1M**  
Charlotte Employment



**13.2%**  
Charlotte Unemployment Rate

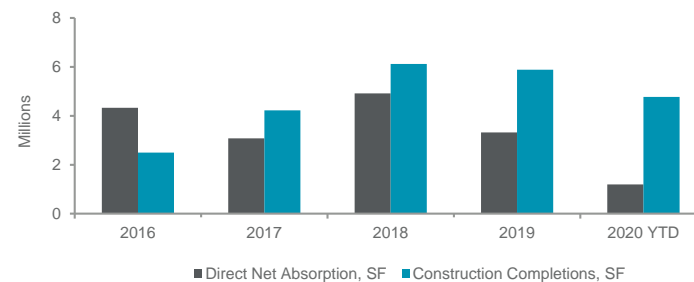


**13.0%**  
U.S. Unemployment Rate



Source: BLS

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



## DEMAND

Metro Charlotte recorded more 1.9 msf of new leasing activity in the second quarter of 2020, 45% of which occurred in the North and Cabarrus County submarkets. Market demand should begin to shift south towards the West Airport, Southwest and York County submarkets as 85% of delivered speculative construction in 2020 remains vacant. This space will be highly sought after by tenants requiring large blocks, high ceiling heights and Class A premium industrial space.

## PRICING

Overall triple net (NNN) asking rents increased to \$4.93 per square foot (psf) at the end of second quarter 2020, up 1.2% from \$4.87 psf the prior quarter. In that timeframe, asking rents increased the most in the North submarket (28%) and in York County (25%) due to high quality new deliveries and availabilities becoming vacant. Overall Flex rates are \$10.03 NNN psf, a 14.0% decrease from the prior quarter, and overall warehouse rates increased by 5.5% to \$4.64 NNN psf.

## DEVELOPMENT PIPELINE

After delivering an average of 5.4 msf in the last three years, new deliveries have remained robust with 4.8 msf delivered in the first half of 2020. With at least another 1.9 msf expected to deliver in the second half of the year, Charlotte's construction pipeline will exceed 2017-2019 average by 23%. Despite ample new product on the way, Charlotte is not at risk of being overbuilt due to high demand shown by an average of 3.8 msf overall net absorption in the last three years. The ever-growing trend of eCommerce will continue to drive the industrial market in Charlotte, due to its excellent highway access to the Southeast.

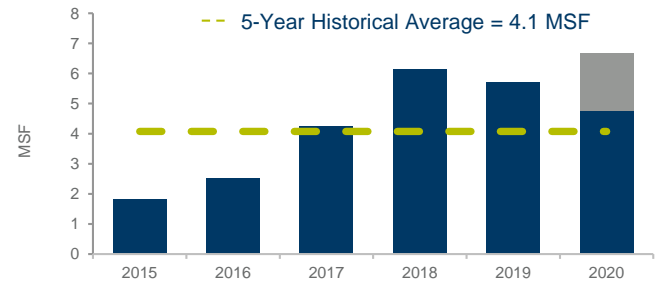
## Outlook

- New construction is likely to persist in more rural counties outside of the core of Charlotte where land is affordable and abundant.
- Capital markets volume will increase as developers look to monetize their stabilized assets. Additionally, industrial ownership continues to see consolidation due to entity level mergers and acquisitions.
- The development pipeline is anticipated to slow from record levels due to increased construction costs and slight increase in vacancy rates.
- Asking rents will increase further but at a more nominal pace. New supply and more modest demand will be headwinds that moderate the pace of overall rent growth.

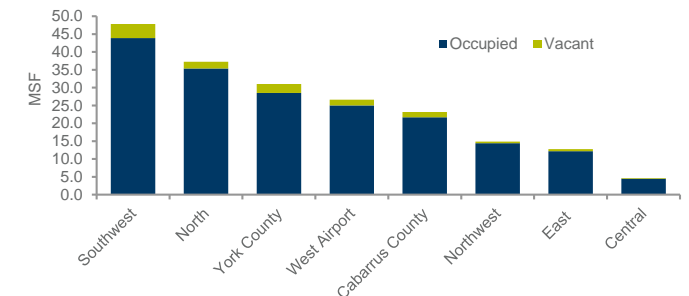
## WAREHOUSE/FLEX ASKING RENT (\$ PSF, NNN)



## NEW SUPPLY



## SUBMARKET COMPARISON



## Industrial Q2 2020

## MARKET STATISTICS

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	DIRECT VACANT (SF)	DIRECT VACANCY RATE	OVERALL VACANCY RATE	CURRENT QTR DIRECT NET ABSORPTION (SF)	YTD DIRECT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CURRENT QTR CONSTR COMPLETIONS (SF)	YTD CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT*
Cabarrus County	141	20,485,702	1,591,722	7.8%	12.9%	-42,469	989,534	573,566	178,720	0	656,000	\$4.52
East	108	9,288,207	591,525	6.4%	6.4%	53,860	-185,387	-281,716	32,000	0	0	\$4.78
North	275	28,920,771	1,725,399	6.0%	6.4%	55,503	-264,608	-262,499	279,650	72,000	208,080	\$5.75
Northwest	100	12,011,808	669,470	5.6%	5.8%	51,491	-166,120	-162,108	0	0	0	\$3.97
Southwest	389	47,007,572	5,362,947	11.4%	11.8%	-7,207	1,336,519	1,041,759	67,156	919,124	2,115,299	\$4.91
West Airport	229	20,727,878	2,330,672	11.2%	11.4%	42,349	156,746	165,229	1,340,420	307,812	1,023,078	\$5.40
York County	175	30,907,364	6,076,751	19.7%	19.7%	-309,928	-670,649	-347,928	0	208,000	768,141	\$4.84
PROPERTY TYPE												
Warehouse/Distribution	873	130,335,058	15,640,952	12.0%	13.0%	-99,678	1,797,867	1,224,350	1,777,946	1,434,936	4,331,598	\$4.64
Flex	390	18,669,859	1,132,903	6.1%	6.4%	-34,339	-31,547	52,238	32,000	72,000	279,000	\$10.03
Manufacturing	152	20,218,501	1,554,460	7.7%	7.8%	-22,384	-593,650	-573,650	88,000	0	160,000	\$4.80
High Tech & Other	2	125,884	20,171	16.0%	16.0%	0	23,365	23,365	0	0	0	\$8.50
<b>CHARLOTTE TOTALS</b>	<b>1,417</b>	<b>169,349,302</b>	<b>18,348,486</b>	<b>10.8%</b>	<b>11.7%</b>	<b>-156,401</b>	<b>1,196,035</b>	<b>726,303</b>	<b>1,897,946</b>	<b>1,506,936</b>	<b>4,770,598</b>	<b>\$4.93</b>

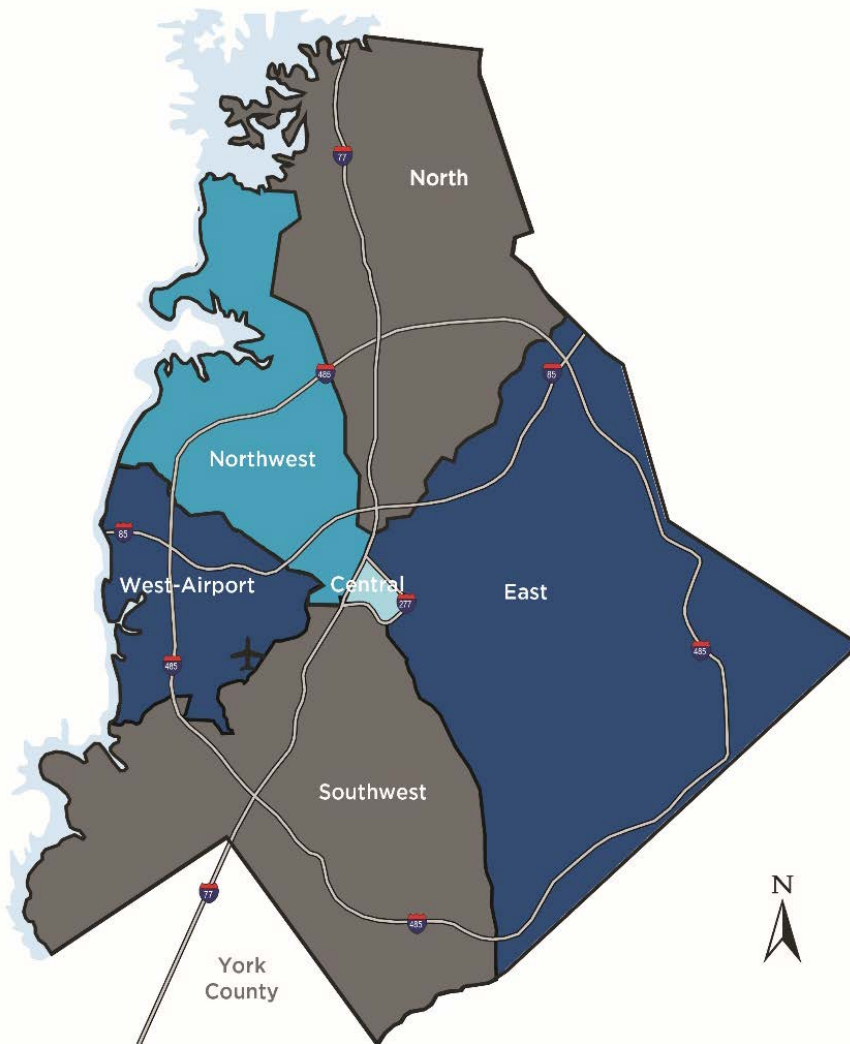
\*Rental rates reflect weighted net asking \$psf/year

\*\*Statistics not reflective of U.S. MarketBeat Tables

## KEY DELIVERIES

PROPERTY	SF	CONSTRUCTION TYPE	COMPLETION DATE	SUBMARKET
WestPark 85 – Phase II	566,800	Speculative	1Q 20	West Airport
10230 Pineville Distribution St	525,000	Build-To-Suit	1Q 20	Southwest
577 Cel-River Rd	275,963	Speculative	1Q 20	York County
8500 Automation Dr NW	248,000	Speculative	1Q 20	Cabarrus County
6020 Airport Dr	148,466	Speculative	1Q 20	West Airport

## INDUSTRIAL SUBMARKETS



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